

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814



September 3, 1987

ALL COUNTY LETTER NO. 87-118

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: EFFECT OF TAX REFORM ACT OF 1986 ON AFDC

REFERENCE: EMERGENCY REGULATIONS--MPP 44-133.631 and .752
MPP 44-340.7
(RDB #0787-36)

The Tax Reform Act of 1986 (P.L. 99-514) includes several amendments to the Social Security Act which impact the AFDC program. The attached emergency regulations, effective September 1, 1987, contain provisions for implementing these changes. The major substantive changes in this law applicable to the AFDC program are, 1) the increase in the standard earnings disregard from \$50 to \$75 for part-time employed stepparents and senior parents/legal guardians and 2) the deletion of the deeming of senior parent income for 18 year old "minor" parents. Additionally, the regulations require corrective payments for underpayments resulting from these changes.

You will note that MPP 44-340.7 provides instructions for identifying and taking corrective action on cases which have been underpaid since the effective date of the Tax Reform Act (October 22, 1986). These instructions pertain specifically to retroactive action on cases between October 22, 1986 and August 31, 1987. (The change will be effective beginning with November 1, 1986 grants for continuing cases and October 22, 1986 or later for new cases and restorations.) The time frames for retroactive implementation are intended to provide counties with flexibility in identifying affected cases. These time frames are not intended to preclude prompt correction of an underpayment which otherwise comes to the attention of the county. In such an instance, the county must take all reasonable steps necessary to promptly correct the underpayment, pursuant to MPP 44-340.13.

Prospective application of the regulations commences with the effective date of September 1, 1987. Counties may wish to begin the case identification process and/or development of instructions to staff for affected cases. New cases and continuing cases with reinvestigation dates of September 1 forward should be flagged to facilitate prospective application of the regulations.

Notices of Action for retroactive and prospective implementation are being developed and will be issued as soon as possible.

Please contact Jim Mullany of the AFDC and Food Stamp Policy Implementation Bureau at (916) 324-2661 (ATSS 454-2661) with questions regarding the disregard and deeming provisions of the new regulations, or Lynne Reich at (916) 324-2009 (ATSS 454-2009) regarding the underpayment provisions.



ROBERT A. HOREL
Deputy Director

Attachments

cc: CWDA

Amend Sections 44-133.631(a), .711, .752, .753, .754, .755 and .756 to read:

44-133 TREATMENT OF INCOME (Continued)

44-133

.6 Income In Cases Where A Stepparent Resides In The Home (Continued)

.63 Computation of Income to the Assistance Unit

.631 The stepparent's income deemed available to the assistance unit is determined as follows:

(a) Determine the stepparent's net nonexempt income according to the provisions in Chapter 44-100. When determining net earned income the stepparent shall be entitled to a work expense disregard as follows:

(1) When the stepparent worked at least 100 hours and at least 13 days in the month to which the earnings are attributable, allow a \$75 disregard.

When determining net earned income the stepparent shall be entitled to the \$75 work expense disregard. (HANDBOOK: See Section 44-113.214).

(2) When the stepparent worked less than 100 hours or less than 13 days in the month to which the earnings are attributable, allow a \$50 disregard.

(3) When the hours and days are not reported on the CA-7, but information provided is sufficient to determine that the stepparent was employed at sometime during the month, apply the \$50 disregard.

(2) The dependent care expense disregard in Section 44-113.215 and the \$30 and 1/3 and, as applicable, the \$30 disregard in Section 44-113.216 and 44-113.217 shall not be allowed. (HANDBOOK: See Sections 44-113.215, .216 and .217).

(b) (Continued)

(c) (Continued)

(d) (Continued)

.7 Income in Cases Where the Senior Parents or Legal Guardians Reside in the Home with a Minor Parent.

.71 Definitions (Continued)

.711 A Minor Parent is a parent who is less than 19⁸ years of age. The term minor parent also includes a pregnant woman less than 19⁸ years of age who has no other children in the home.

.72 (Continued)

.73 (Continued)

.74 (Continued)

.75 Computation of Income to the Assistance Unit.
(Continued)

.752 Determine the net nonexempt income of each senior parent or legal guardian according to the provisions in Chapter 44-100.

(a) When determining net earned income, each employed senior parent or legal guardian shall be entitled to the following work expense disregards from gross earnings: \$75 work expense disregard. (HANDBOOK: See Section 44-113.214).

(1) When the senior parent or legal guardian worked at least 168 hours and at least 13 days in the month to which the income was earned, allow a \$75 disregard.

(2) When the senior parent or legal guardian worked less than 168 hours or less than 13 days in the month to which the income was earned, allow a \$50 disregard.

(3) When the hours and days are not reported, but information provided is

sufficient to determine that the senior parent or legal guardian was employed at sometime during the month, allow a \$50 disregard.

- (4b) The dependent care expense disregard, the \$30 and one-third disregard and the \$30 disregard shall not be allowed. (HANDBOOK: See Section 44-113.215, 44-113.216 and 44-113.217).

•753(c) (Continued)

•754(d) (Continued)

•755 (Continued)

•756 (Continued)

Authority Cited: Sections 10553, 10554 and 10604, Welfare and Institutions Code.

Reference: Sections 10553 and 10604, Welfare and Institutions Code; Tax Reform Act of 1986, Section 1883(b) (Public Law 99-514, October 22, 1986); U.S. Department of Health and Human Services Action Transmittal (No. FSA-AT-87-4) dated April 16, 1987.

Adopt Section 44-340.7 to read:

44-340 UNDERPAYMENTS (Continued)

44-340

.7 An assistance unit shall be considered to be underpaid if it meets any of the criteria described in Section 44-340.71.

.71 One of the following circumstances occurred in the period between October 22, 1986, through August 31, 1987.

.711 Senior Parent/Legal Guardian Unit (HANDBOOK: See MPP Section 44-133.7) or Stepparent Unit (HANDBOOK: See MPP Section 44-133.6) was granted a part-time \$50 work related expense disregard.

(a) The CWD shall allow the full \$75 work related expense disregard retroactive to October 22, 1986, or the date of eligibility to the work related expense disregard, whichever is later.

.712 Senior Parent/Legal Guardian (HANDBOOK: See MPP Section 44-133.75) income was allocated to the assistance unit because of an 18-year-old minor parent living at home and attending school.

(a) The CWD shall recompute the amount available to the assistance unit without consideration of the income allocated from the Senior Parent/Legal Guardian retroactive to October 22, 1986.

.72 The case review, recomputation and correction of the underpayment shall be completed as soon as possible and not later than the deadlines set forth below:

.721 The date of the next annual redetermination of eligibility or the date of termination, whichever is earlier, for all current recipients on the effective date of this regulation;

.722 Sixty days from the date aid is granted for reapplications and requests for restoration of aid within one year of the effective date of this regulation;

.723 Sixty days from the date of a request for review in all other cases.

Authority Cited: Sections 10553, 10554 and 10604, Welfare and Institutions Code.

Reference: Sections 10553 and 10604, Welfare and Institutions Code; Tax Reform Act of 1986, Section 1883(b), (Public Law 99-514, October 22, 1986); U.S. Department of Health and Human Services Action Transmittal (No. FSA-AT-87-4) dated April 16, 1987.